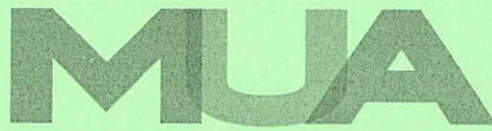


The
Management
University
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POST GRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF MASTER OF BUSINESS ADMINISTRATION

SMO 502: ADVANCED STRATEGIC MANAGEMENT

DATE: 18TH JULY 2017

DURATION: 3 HOURS

MAXIMUM MARKS: 60

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

ENTREPRENEURSHIP EXPANSION

With almost 200 countries to choose from, entrepreneurs need to think carefully about where to focus their international efforts. The criteria they use to prioritize will include the growth potential of each market, its appetite for the business's products and services and its competitive environment, but the right choice will ultimately depend on each entrepreneur's long-term strategy.

Some markets will require businesses to adapt existing products and services for sale much more than others. This is the case with food products, for example, where people's tastes differ markedly; the company's offering may have to be adapted to meet the needs of local customers. The entrepreneur must then decide if expansion is worth it, weighing the costs of adaptation against the attractiveness of the market.

International expansion may change how a company needs to be organized and managed. For example, supply chain issues may be to the fore in certain industries. Getting fresh food to market, for example, is challenging if it has to travel long distances in difficult conditions.

Equally, expansion may deliver operational advantages. The business may become more cost-effective and enjoy economies of scale. When a business increases its output via international expansion, it can often do so with lower average costs – increasing its margins, offsetting exporting costs with decreased production costs and reducing its prices in its home country. International expansion may even deliver new insights to the business back home – about new ways to operate, or new products and services for which demand in one marketplace may be replicated elsewhere.

How a business enters a market will depend partly on the local regulations and environment, but also on the resources, risk appetite and expertise of the

entrepreneur. The build, buy or partner decision should be a key part of every market entry decision.

Required:

- a. Due to business expansion, entrepreneurs (who may later become MNCs) face some problems and difficulties when dealing with issues of performance evaluation of foreign subsidiaries and their management. Define MNC and examine the issues these entrepreneurs may face (13 marks)
- b. As an interested party in international expansion, discuss licensing, franchising and turnkey contracts as a form of entry into international markets (9 marks)
- c. When entrepreneurs grow their enterprises into huge MNCs, there arise challenges as to what strategies to adopt. Evaluate the cost of adopting a global strategy (8 marks)

QUESTION TWO

- a. Exporting in one of the forms of international expansion. Sulwa Ltd is considering exporting some of its produce to the European market but due to cost implication, it wants to four (4) types of indirect exporting that Sulwa Ltd can adopt. (10 marks)
- b. As a CEO, propose the key barriers to capacity building in organizing and managing multinational networks (5 marks)

QUESTION THREE

- a. Businesses world over as well as the field of strategic management are constantly changing. Assess any five (5) future trends that businesses have to content with in the strategic management environment (10 marks)
- b. As the operations manager of stopper Ltd you are the overall incharge of responsibility centres. You have new staff you want to place in one of such centres. Help the staff understand the meaning of responsibility accounting and explain to him any two (2) classification of responsibility centres (5 marks)

QUESTION FOUR

- a. Daila has been operating his business in Kenya for the last three years. The business has expanded immensely and now he has over twenty branches spread across the country. Recently, he has been contemplating extending his business beyond the country's borders. He has approached you to help him appraise the factors that he should consider when choosing which foreign market to enter. Appraise at least five factors he should consider (10 marks)
- b. Businesses that are performing very well in the international market may consider adopting a global strategy. Assess five (5) benefits of global strategy (5 marks)